BRITISH COLUMBIA

BC STATS Infoline

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highlights

a weekly digest of recently released British Columbia statistics

Labour Force

- **British Columbia's unemployment rate fell 0.3 percentage points, to 8.0% (seasonally adjusted), in October.** The improvement in the unemployment rate was due to an increase in the number of people with jobs. Employment in the province rose 0.4%, from 1,875,400 to 1,882,900, between September and October. BC's labour force also expanded, growing 0.1% to 2,046,700.

  Canada's unemployment rate fell from 8.3% to 8.1%, as rates were flat or declined in all but two provinces. Alberta (+0.2. to 6.4%) and Saskatchewan (+0.2, to 6.4%) were the only regions where the unemployment rate rose. Both provinces were affected by a drop in the number of people with jobs. *Source: Statistics Canada*

- **Within British Columbia, employment gains were highest in Kootenay (+8.8%, three-month moving average), Mainland/Southwest (+3.0%) and Vancouver Island/Coast (+0.7%).** In Northeast, employment fell for the fourth straight month, declining 7.9%. Despite this, the region had the province's lowest unemployment rate (4.8%). The highest rate was in Cariboo (14.8%), where the unemployment rate has been in the 11–14 percent range since November 1997. Unemployment rates in Kootenay (11.2%) have also remained above ten percent since late last year. Northeast, Mainland/Southwest (6.9%) and Thompson/Okanagan (7.4%) were the only regions where the unemployment rate was below the provincial average. *Source: Statistics Canada*

- **Self-employment in British Columbia advanced 6.4%, to 396,000 in October, marking the fourth consecutive month in which the number of self-employed has increased from the same month of 1997.** The impetus for self-employment growth continued to be an increase in the number of people working without paid help (+13.9%), who make up two-thirds of the self-employed workforce. There were 6.2% fewer self-employed people with paid help this October than in October 1997.

  Source: Statistics Canada

Tourism

- **Accommodation room revenue in British Columbia rose 0.4% to $98.3 million (seasonally adjusted) in July.** Kootenay (+5.5%), Cariboo (+1.2%) and Mainland/Southwest (+1.1%) led the regions. Revenues were flat or down in the rest of the province. Among accommodation types, revenue gains in hotels with 250 or more rooms (+4.3%) and those with 150-249 rooms (+1.2%) accounted for most of the increase. *Source: BC STATS*

The Economy

- **BC manufacturers surveyed in October remained pessimistic about the future.** Among those surveyed, 37% said they expected their orders to decline, while just 9% were anticipating increases. Manufacturers in the paper industry were the most pessimistic: about 60% anticipated fewer new orders, compared to just 2% who thought their orders would increase. The balance of opinion (the difference between the percentage expecting an improvement and those projecting a decline) among BC manufacturers with respect to unfilled orders (-28) also remained negative. In addition, 41% of manufacturers expected their inventories to be too high, while just 5% thought they would be too low.

Report **What's behind BC's low inflation rate?**

Did you know...?
One in three men, and one in four women, snore.

Manufacturers in most other parts of the country were also pessimistic about the future. Natio - ally, only 20% expected increased orders,

balance of opinion was negative in all provinces except Ontario, where 24% thought orders would

Source: Statistics Canada

- **There were 629 consumer bankruptcies in the province in July, an increase of 1.9%** The July fig ures seem to indicate a return to normal after two months of feverish activity. Bankruptcies had

a change to the Court Order Enforcement Act which took effect May 1. The new provisions of r-

Year-to-date, the number of consumer bankrupt cies fell 2.3%, to 4,397. Canadian consumer bankruptcies were down 14.9% in July, with six

dropped sharply (more than 20%) in New Brunswick, Ontario, Alberta and Saskatchewan.

- **e-** There were 106 bankruptcies registered in BC, 60.6% more than

firms with total liabilities of almost a billion dollars. Year-to-date, the number of business bankrup - cies was virtually the same as in 1997 (572,

manufacturing sector brought total liabilities up to $1.3 billion, compared to $354 million in the first

Source: In

- **and the two territories were marginally higher (+0.3%) this September than in the** Sales in BC have been sluggish during much of 1998, and year-to-date

the North is the only region where department store sales have been weak so far this year. In

up 7.3%, with increases ranging from a low of 6.2% in New Brunswick to 11.7% in Alberta.

stics Canada

- **The value of building permits issued by BC municipalities declined 21.8% (seasonally adjusted) between August and September.** Sales of both residential (-25.5%) and non-residential (-16.6%) permits were well below the August level. Gains made earlier in the quarter helped offset the decline in September, bringing the value of permits issued in the third quarter to $1.3 billion (+7.2%). In the non-residential sector, the value of permits issued during the period from July to September was up 31.4%, reflecting a significant increase in planned industrial (+69.8%) and commercial (+38.4%) projects. Planned residential construction activity was down 8.3%. Nationally, the value of building permits issued in the third quarter edged up 0.9%, to $8.4 billion. Residential investment intentions decreased 1.6%, but this was offset by a 3.7% increase in the value of non-residential permits issued.

Source: Statistics Canada

How children get ahead in life

- **A study examining the relationship between the income of children and the income of the families in which they were raised suggests that the type of income their fathers received had a major influence on the income of their children.** Children whose fathers received some income from assets such as investments or real estate typically ended up earning $3,000 more than those whose fathers did not have any asset income, even though they had the same total income. In addition, income from certain government transfers such as employment insurance (EI) had a negative or neutral correlation with the adult earnings of children.

Source: SC, The Daily

Oops!

- **The first bullet in last week's issue of highlights contained an error.** Average weekly earnings in BC were ***$617*** in August, not $673.

highlights, Issue 98-44
November 6, 1998

For data originating from Statistics Canada: data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the publication name or catalogue number.

November 6, 1998

Infoline Report:

What's behind BC's low inflation rate?

Contact: Lillian Hallin (250) 387-0366

Originally published in September 1998 issue of *Business Indicators*. Annual subscription is $60 + GST

What is the CPI?

The Consumer Price Index (CPI) is a composite measure of price changes for a typical basket of goods and services purchased by households. Prices are collected for more than 600 different types of goods and services, ranging from ground beef to haircuts and property taxes. A price index for each commodity is calculated by comparing the current price to the price in the base year (1992). Data on average family expenditures obtained from the Family Expenditure Survey (FAMEX) is then used to weight the indices. The weighted average of price changes for a wide variety of goods and services becomes the overall (or all items) CPI for the province. For example, if a typical family in British Columbia spends 2% of their budget on electricity, then the price index for electricity will be given a weight of 2% in the all items CPI.

The eight major consumption categories in the CPI are (in decreasing order of importance): shelter; transportation; food; recreation, education and reading; household operations and furnishings; clothing and footwear; health and personal care; and alcoholic beverages and tobacco. Shelter, transportation and food together account for almost two-thirds of household expenditures in British Columbia. The two major categories of recreation, education and reading and household operations and furnishings each comprise about 10% of the total.

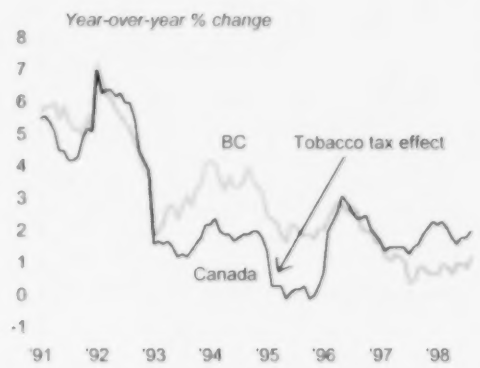
The inflation rate, as measured by changes in the value of the CPI, is closely monitored, not only because the CPI is often used to index pensions, tax brackets and, under some collective agreements, wages, but because the rate of inflation has a direct effect on the economic well-being of individuals. When the overall price level increases, individuals living on fixed incomes must compensate for higher prices by cutting back their spending on discretionary goods. Those who are in the workforce may seek to negotiate contracts with commensurate increases in their wages, which can add to inflationary pressures in the economy. Conversely, when the inflation rate is low, or if prices are declining (i.e., there is deflation), the consumer's dollar stretches further.

What's been happening to BC's inflation rate?

BC's inflation rate shows some interesting trends over time. At the beginning of the decade, British Columbia's year-over-year inflation rate (as measured by the change in the CPI) was above the Canadian average. When the Canadian inflation rate began to decline in the mid-1990s, BC's followed suit.

BC's inflation rate has been lower than Canada's since 1996

All items



Source: Statistics Canada

However, during the last two years, BC's overall inflation rate has fallen well below the Canadian rate and it appears unlikely that this will change in the near future. Inflation in the province has been hovering around the 0.4% mark in recent months, and has remained at or below one percent since June of 1996. British Columbia's inflation rate last year (0.7%) was lower than in any other province, and less than half the national rate (1.6%).

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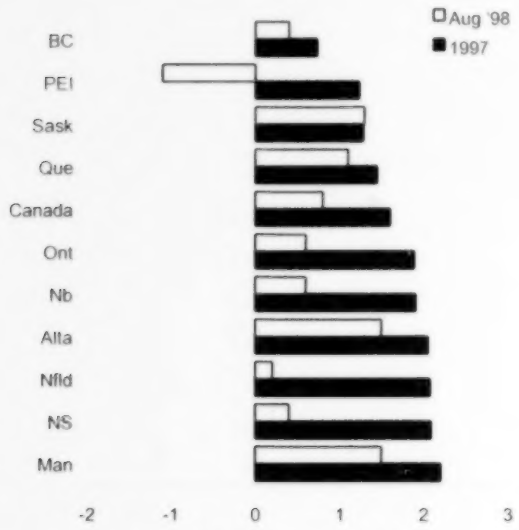
Price level increases in BC have remained low during 1998



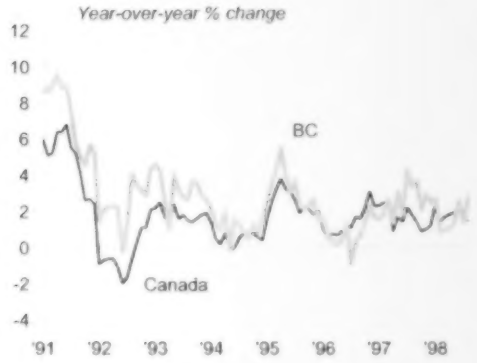
Annual inflation rate (%)
Source: Statistics Canada

This ought to be good news for consumers, as it suggests that prices of goods and services bought in BC not increasing much or in some cases, may actually be declining. They can expect to benefit from relatively little change in the cost of the goods and services they buy. But when they observe that some goods and services are becoming more expensive, they may find it difficult to believe that the statistics are accurate.

An examination of the factors underlying the change in BC's CPI over time may help shed some light on this apparent conundrum. When the CPI is broken down into its component parts, it becomes clear that prices for some commodities have continued to increase at rates equal to or higher than the national average. For example, since 1992 food prices in BC have risen more than in the rest of Canada, and recent price level increases for this commodity have been at or above the national average. Food accounts for almost 20% of consumer spending in the province.

The cost of food and household operations has increased more in BC than in the country as a whole

Food



Source: Statistics Canada

Household operations & furnishings

Source: Statistics Canada

Residents of British Columbia have seen the cost of maintaining a household–household chemicals, linens, furniture, utensils, supplies, and communication services–increase considerably more than in the rest of the country. Since the beginning of the year, average prices for this group of commodities have increased at about double the national rate. The same is true in the case of clothing, where prices in the province have continued to rise considerably more than in other parts of the country.

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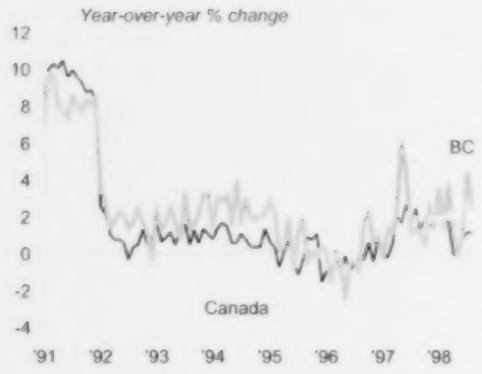
Clothing prices in the province have also risen at above-average rates

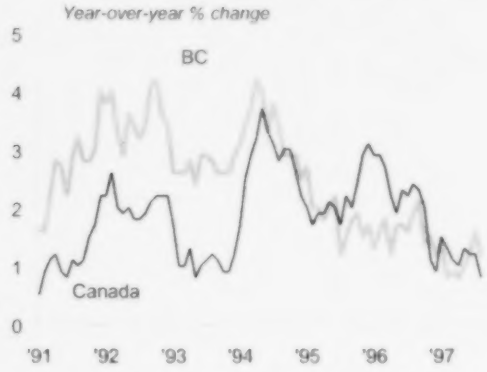
Clothing and footwear



Source: Statistics Canada

Prices for most commodities in BC have risen as much as in the rest of Canada

All items excluding shelter



Source: Statistics Canada and BC STATS

Why is BC's inflation rate so low?

So why is BC's inflation rate so low? The answer to this question lies in recent trends in shelter costs (owned and rented housing plus water, fuel and electricity), which account for about a quarter of consumer spending. Shelter costs in the province have been declining steadily during the last few years, as house prices have fallen and mortgage interest rates have decreased. This has exerted enough downward pressure on the CPI to almost entirely compensate for increases in prices for other commodities.

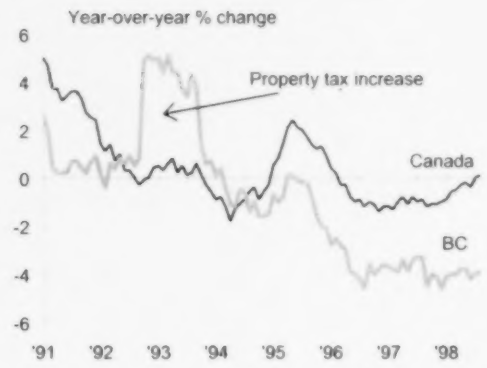
When shelter costs are eliminated from the overall index, this effect can be clearly seen. The price index excluding shelter costs has increased about as much in BC as in the rest of the country.

Canadians in other provinces have also benefitted from declining interest rates and in some cases from lower house prices, but the overall effect has not been as dramatic in the rest of the country. Shelter costs in BC are currently almost two percent lower than in 1992, while they have risen at an average rate of just under four percent in the country as a whole. Moreover, Canadian shelter prices appear to be stabilizing, whereas in BC they are continuing to fall.

Mortgage interest costs for homeowners are similar in all parts of the country, at least insofar as interest rates are concerned. Where there are differences, they are more likely to be due to the amount of mortgage debt incurred by the average homeowner. Homeowners in BC are likely to have a higher debt load than those who purchase homes in areas where prices are lower.

Homeowners have seen reduced costs

Owned accommodation



Source: Statistics Canada

The cost of rental housing has continued to rise, but at a slower rate than in the early 1990s

Source: Statistics Canada

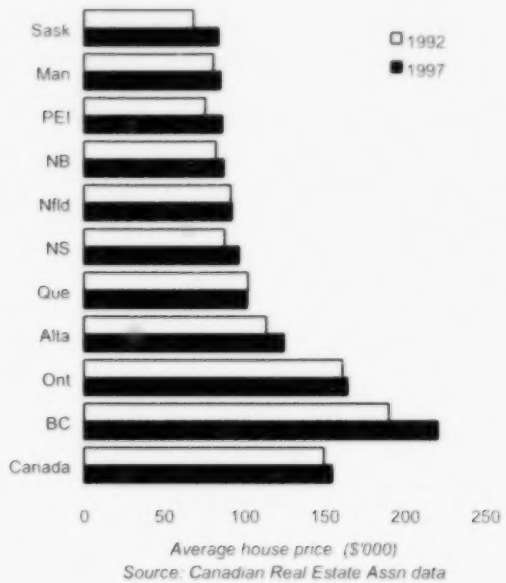
Although individuals renewing their mortgages or purchasing homes have been feeling the effect of lower prices for some time, this has not translated into reduced costs for renters. Prices for rented accommodation in the province have continued to increase, but at rates well below those seen at the beginning of the decade.

Average house prices in BC have levelled off since 1995...

Source: Canadian Real Estate Association data

During the late 1980s, residential housing prices in British Columbia were very close to the national average. However, population inflows at the beginning of this decade, as well as some other factors, exerted upward pressure on the cost of housing and BC prices began to climb at a time when house prices in the rest of the country were more stable. Despite the recent downturn in the housing market, homeowners in the province currently pay about a third more for existing housing than the average Canadian does. Average house prices in BC are still the the highest in the country.

...but they are still the highest in the country



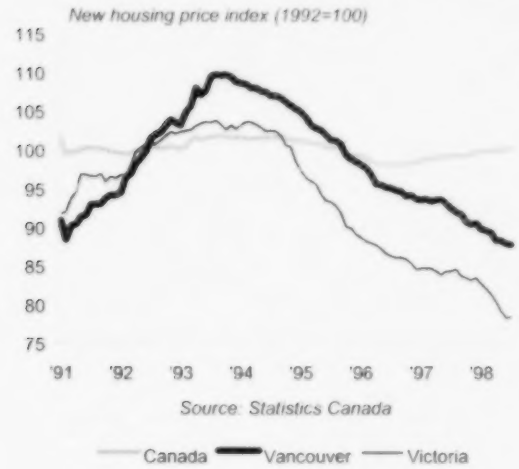
Average house price ($'000)
Source: Canadian Real Estate Assn data

The recent downturn in house prices may simply reflect a market correction to the overheated housing market of the early 1990s. Evidence that the market has softened can be found in the steady decline in the price received by contractors for new homes built in BC's two largest cities. In the rest of the country, new house prices have seen relatively little change during the 1990s.

Indications are that the housing market in the province is likely to remain soft, and there is no reason to expect that the deterioration in housing prices will end soon. If house prices continue to decline and mortgage rates remain low, the cost of housing can be expected to continue to exert

downward pressure on the province's overall price level. This means that BC's low inflation rate is likely to persist, and it is even possible that the province could be headed toward a deflationary period.

New house prices continue to fall



Historically, periods of deflation (or decline in the overall price level) have been associated with economic turmoil. For example, Canada has experienced ongoing deflation in only two periods during the 1900s: the recession in the 1920s and the great depression of the 1930s, although there have been some brief periods in the years since then where the overall price level has declined.

In the current situation, where the slow growth, or possible future decline, in the province's CPI is almost entirely attributable to falling housing costs, a deflationary period may not spell doom and gloom at all. Housing costs in BC have been out of synch with the rest of the country for some time, and price increases earlier in the decade have put homeownership beyond the reach of many British Columbians. According to the 1996 Census, one in three BC households (owners and renters) have housing affordability problems. If house prices continue to move down to a level closer to that in the rest of the country, these problems are likely to be alleviated for many British Columbians.

Infoline

November 6, 1998

fax transmission information service from **BC STATS**

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BC at a glance . . .

POPULATION (thousands)	Jul 1/98	% change on one year ago
BC	4,014.3	1.3
Canada	30,300.4	1.0
GDP and INCOME		
(BC - at market prices)	1997	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	109,347	3.3
GDP *($ 1992 millions)*	98,201	2.2
GDP *($ 1992 per Capita)*	24,775	0.1
Personal Disposable Income *($ 1992 per Capita)*	16,340	-2.3
TRADE ($ millions)		
Manufacturing Shipments (seas. adj.) Aug	2,771	-3.0
Merchandise Exports (raw) Aug	2,251	3.9
Retail Sales (seasonally adjusted) Aug	2,756	-2.7
CONSUMER PRICE INDEX		
(all items - 1992=100)	Sep '98	% change on one year ago
BC	110.0	0.0
Canada	108.6	0.7
LABOUR FORCE (thousands)		
(seasonally adjusted)	Oct '98	% change on one year ago
Labour Force - BC	2,047	1.4
Employed - BC	1,883	2.4
Unemployed - BC	164	-8.9
		Oct '97
Unemployment Rate - BC *(percent)*	8.0	8.9
Unemployment Rate - Canada *(percent)*	8.1	9.1
INTEREST RATES (percent)	Nov 6/98	Nov 5/97
Prime Business Rate	7.00	5.25
Conventional Mortgages - 1 year	6.50	5.65
- 5 year	6.75	6.70
US/CANADA EXCHANGE RATE	Nov 6/98	Nov 5/97
(avg. noon spot rate) Cdn $	1.5238	1.4002
US $ *(reciprocal of above rate)*	0.6563	0.7142
AVERAGE WEEKLY EARNINGS		
(industrial aggregate - dollars)	Aug '98	% change on one year ago
BC	621.04	0.5
Canada	606.91	1.4

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Earnings } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

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Released this week by BC STATS

- Tourism Room Revenue, July 1998
- Quarterly Regional Statistics, 3rd Qtr 1998

Next week

- Labour Force Statistics, October 1998

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